

Recent changes introduced by the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019

- Section 150 of the Companies Act, 2013 provides that an Independent Director can be selected from a databank maintained by an Institute or an Authority notified by Central Government in this regard.
- MCA has notified Institute of Corporate Affairs (IICA) to create and maintain an online data bank of persons willing and eligible to be appointed as independent directors. The databank shall contain data on the individual as well as on the companies he/she is or was a director.
- All existing Independent directors are required to apply online to the IICA for inclusion of his name in the data bank, within 3 months of commencement **i.e. 29th February, 2020.**
- Every individual who intends to get appointed as an independent director shall apply online to the institute for inclusion of his/her name in the data bank, before appointment.
- An individual not having DIN, may also voluntarily apply to the institute for inclusion of his name in the data bank.
- Inclusion of name in the data bank can be done for a period of one year or five years or for his life-time.
- Application for renewal for a further period of one year or five years or for his life-time must be filed within a period of thirty days from the date of expiry, failing which, the name of such individual shall be removed.
- Every independent director shall submit a declaration that his/her name is included in the databank to the Board, along with the declaration required under Section 149(7) of the Act.

Online Proficiency Test:

- Every individual included in the data bank is required to pass an online proficiency self-assessment test within a period of one year from the date of such inclusion, covering areas of Company law, Securities law, basic accountancy, and such other areas relevant to the functioning as an independent director, to be conducted by the IICA.
- A minimum of 60% score is required to pass the test and there is no limit on the number of attempts taken by an individual to pass.
- The IICA will prepare basic study material, online lessons, including audio- visuals on the specified subjects, approved by a panel nominated by the Central Government. An option would be provided to individuals to take advanced tests in the areas specified above and prepare the necessary advanced study material in this respect

Exemption from Test:

- Individual who have served as director or key managerial personnel in a listed public company or in an unlisted public company having a paid-up share capital of Rs 10 Crore or more, for a period of not less than 10 years, are exempted from the requirement of passing the test.